

## Message Text

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21

ACTION ARA-10

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1766

C O N F I D E N T I A L SANTIAGO 9898

FOR ASSISTANT SECRETARIES SCHLAUDEMANN AND RICHARDSON AND  
AMBASSADOR MAILLIARD

EO 11652: GDS

TAGS: PFOR, CI

SUBJECT: CHILE - COORDINATION OF INTER-AMERICAN FOUNDATION  
ACTIVITIES

1. SUMMARY: TWO EXAMPLES CITED BELOW POINT UP WHAT SEEMS  
TO US TO BE A PROBLEM OF COORDINATION INVOLVING THE IAF,  
USAID AND EMBASSY. END SUMMARY.

2. AUTHORITATIVE LOCAL NEWSPAPER EL MERCURIO SEPTEMBER 26  
CARRIED A SPECIAL REPORT FROM WASHINGTON HEADLINED "A  
U.S. GOVERNMENT ENTITY SUPPORTS THE VICARIATE OF SOLIDARITY?"  
ARTICLE STATED THAT THE INTER-AMERICAN FOUNDATION, A U.S.  
GOVERNMENT BODY DESIGNED TO SUPPORT THE PROCESS OF SOCIAL  
CHANGE IN LATIN AMERICA AND THE CARIBBEAN, HAD MADE AVAILABLE  
ABOUT \$500,000 TO THE VICARIATE OF SOLIDARITY, A BRANCH  
OF THE SANTIAGO ARCHBISHOPRIC, FOR ITS AGRICULTURAL WORKERS'  
DEPARTMENT. ARTICLE DESCRIBES THE IAF AND LISTS SIX PROJECTS  
FOR CHILE, INCLUDING ONE FOR THE VICARIATE INVOLVING  
\$451,579 "FOR TECHNICAL AND FINANCIAL ASSISTANCE TO 49 SMALL  
AGRICULTURAL ENTERPRISES".

3. WITHOUT IN ANY WAY QUESTIONING DESIRABILITY OF THUS  
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ASSISTING CHILEAN SMALL FARMERS, WE WOULD POINT OUT THAT,

AS THE ARTICLE STRONGLY IMPLIES, THIS GRANT INEVITABLY CONVEYS POLITICAL OVERTONES. WHILE THE COMMITTEE FOR SOLIDARITY IS TOLERATED BY THE GOC, ITS MAIN ACTIVITY -- AID TO POLITICAL DETAINEES -- RESULTS IN CONSISTANT TENSION BETWEEN THE GOVERNMENT AND THE VICARIATE. TRUE, THE IAF GRANT HAS NO CONNECTION WITH THE PROBLEM OF DETAINEES; NEVERTHELESS, THE GOC DOUBTLESS CONSIDERS THAT A DOLLAR MADE AVAILABLE FOR ONE ASPECT OF VICARIATE ACTIVITIES MAY FREE AN EQUIVALENT AMOUNT FOR USE IN ANOTHER.

4. ON A RELATED SUBJECTN WE HAVE BEEN INFORMED THAT THE FOUNDATION IS CONSIDERING FINANCIAL SUPPORT FOR AT LEAST THE INITIAL PHASE OF A \$25 MILLIONCHILEAN CHURCH PROPOSAL FOR FOOD FOR WORK AND OTHER ANTI-POVERTY ACTIVITIES.

5. IN THE CURRENT STATE OF CHURCH-GOC RELATIONSHIPS, THIS MATTER ALSO HAS POLITICAL IMPLICATIONS. IN ADDITION WE WOULD POINT OUT THAT CARDINAL SILVA AND OTHER CHURCH REPRESENTATIVES HAVE BEEN PRESSING THE EMBASSY FOR MORE THAN TWO YEARS TO PROVIDE U.S. GOVERNMENT SUPPORT FOR THIS TYPE OF PROJECT. PERIODICALLY, OUR AID MISSION HAS LOOKED INTO THE PROPOSALS MADE TO US AND REQUESTED PARTICULARS. INVARIABLY, OUR A.I.D. PERSONNEL HAVE REACHED THE CONCLUSION THAT THE CHURCH SIMPLY DOES NOT HAVE THE ORGANIZATION AND EXPERTISE TO CARRY OUT ANY SUBSTANTIAL PROGRAM OF THIS CHARACTER. ON THE OTHER HAND, THE CHURCH HAS NOT BEEN WILLING TO START WITH A SMALL GRANT, AS USAID HAS SUGGESTED. CONSEQUENTLY, WHILE OUR AID MISSION WORKS SUCCESSFULLY WITH CARITAS AS A CATHOLIC VEHICLE FOR SOCIAL ASSISTANCE, IT HAS NOT SO FAR ACCEDED TO ANY OF THE LARGER CHURCH REQUESTS.

6. THE TWO CASES CITED ABOVE BRING INTO QUESTION THE PROPER RELATIONSHIP BETWEEN IAF AND ONGOING AMI.D. ACTIVITIES IN AREAS OF POLITICAL SENSITIVITY OR QUESTIONABLE ECONOMIC FEASIBILITY. WE RECOGNIZE THAT IAF WAS PURPOSELY CREATED BY CONGRESS AS AN INDEPENDENTLY FINANCED AGENCY, AND THAT IT WAS DESIGNED, AS THE MERCURIO ARTICLE STATES, TO SUPPORT SOCIAL PROGRESS IN LATIN AMERICA. AS WE UNDERSTOOD IT, THIS WAS DONE AT A TIME WHEN A.I.D.'S MISSION HAD NOT BEEN STRONGLY TILTED BY CONGRESS IN THE SAME DIRECTION. NOW THAT

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THE FUNCTIONS OF THE TWO AGENCIES TO SOME EXTENT OVERLAP, THERE SEEMS TO US TO BE A DANGER THAT IAF AND A.I.D. COULD DUPLICATE EACH OTHER EFFORTS, OR WORK AT CROSS PURPOSES.

7. AS MEMBERS OF THE IAF BOARD, YOU MAY WANT TO LOOK INTO THE IMPLICATIONS OF THIS SITUATION IF AND WHEN THESE PARTICULAR PROJECTS ARE FURTHER CONSIDERED. I AM WRITING TO IAF EXECUTIVE DIRECTOR BILL DYAL ON THE SUBJECT, URGING THAT WE MAINTAIN

CLOSE COORDINATION, AND AM SENDING YO COPIES OF THE  
CORRESPONDENCE. THE POINT IS NOT THAT I AM OPPOSED TO IAF  
PROJECTS -- QUITE THE CONTRARY -- BUT THAT EMBASSY  
OBSERVATIONS SHOULD BE FACTORED IN BEFORE DECISIONS ARE  
TAKEN OR ANNOUNCEMENTS MADE. THIS WOULD BE ESPECIALLY  
IMPORTANT AS REGARDS A PROJECT POTENTIALLY INVOLVING \$25  
MILLION. AND IF WE DO DECIDE TO GIVE FINANCIAL SUPPORT TO  
POLITICALLY SENSITIVE PROJECTS IN CHILE, IT SHOULD BE DONE  
AS A RESULT OF A CONSIDERED POLICY DECISION.  
POPPER

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